

BENJAMIN D. LORELLA  
MANAGING DIRECTOR  
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SMITH BARNEY

February 25, 1987

Mr. Richard M. Scrushy  
Chairman of the Board  
HEALTHSOUTH Rehabilitation Corporation  
Two Perimeter Park South  
Birmingham, Alabama 35243

Dear Richard:

We are very pleased to have this opportunity to discuss with you our ideas regarding a public offering of HEALTHSOUTH common stock or convertible debentures. We also look forward to bringing you further up to date on the significant capabilities of Smith Barney that would be applied to effecting such an offering as well as to servicing HEALTHSOUTH on an ongoing basis.

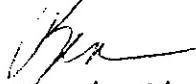
We have presented in this booklet two financing alternatives which HEALTHSOUTH should seriously consider undertaking.

These are:

1. Offering approximately \$25 million of common stock.
2. Offering \$25 million of convertible debentures at a 6 1/2% coupon and a 25% conversion premium.

We are highly confident that both issues would meet with substantial market demand and we look forward to discussing these and other ideas with you.

Best regards,

  
Managing Director - Health Care Group

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# HEALTHSOUTH Rehabilitation Corporation

Discussion of Financing Alternatives

February 1987

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SMITH BARNEY

HEALTHSOUTH Rehabilitation Corporation  
Discussion of Financing Alternatives  
February 1987

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**TABLE OF CONTENTS**

|  |       |
|--|-------|
| Qualifications of Smith Barney   | Tab 1 |
| Analysis of Financing Alternatives   | Tab 2 |
| <br><b><u>Exhibits</u></b>   |       |
| Curricula Vitae of Smith Barney Health Care Professionals                            | Tab 1 |
| Common Stock Offerings Managed or Co-Managed by Smith Barney<br>from 1980 to Present | Tab 2 |
| Leading Managers of Convertible Offerings in 1987                                    | Tab 3 |
| 1987 Convertible Debt Offerings  | Tab 4 |
| Smith Barney Sales Guide to Convertibles, January 1987                               | Tab 5 |
| Analysis of Trading Activity and Price and Volume                                    | Tab 6 |
| Institutional Ownership  | Tab 7 |
| 1986 Rankings of Analysts in the Health Care Industry                                | Tab 8 |
| Health Care Research   | Tab 9 |

HEA 413-1638  
Subj. to Rule 6(e)  
Confidentiality

HEA 413-1639  
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Confidentiality

SMITH BARNEY

**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

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#### **QUALIFICATIONS OF SMITH BARNEY**

We believe that Smith Barney is best qualified to provide HEALTHSOUTH with the capabilities required to achieve its near-term objective of effecting a successful public offering, including the ongoing investment banking expertise, research presence and over-the-counter trading support required to facilitate HEALTHSOUTH's future financing and acquisition plans. Our firm's particular strengths include the following:

##### **Reputation For Quality And Excellence In Investment Banking**

- o Smith Barney is a 114-year old major investment banking firm dedicated to quality and excellence. The firm's investment banking roots date back to its founding, and excellence in investment banking continues to be our primary focus.
- o Smith Barney's 150 corporate finance professionals possess significant capability in all areas of domestic and international investment banking. Beyond the traditional underwriting business, the firm is among the major factors in mergers and acquisitions, private placements, tax-exempt financing, real estate finance and tax-advantaged financing.
- o Smith Barney numbers among its long-standing investment banking clients some of the most well-established and well-respected companies in American industry, including clients such as Dow Chemical, Mead, TRW and Scott Paper.
- o With revenues of approximately \$1 billion and capital of more than \$300 million, Smith Barney has the critical mass to provide the full range of banking, trading, distribution and research capabilities to our clients. Yet we are not so large, as are so many of the financial supermarkets, as to dilute the importance of any one client to our organization.

##### **Demonstrated Experience in Health Care Corporate Finance**

- o Smith Barney possesses one of the strongest health care investment banking efforts in the nation. Smith Barney's Corporate Finance Health Care Group consists of six investment banking professionals who commit 100% of their time to serving the needs of our clients in the health care industry. The group works in close cooperation with our Health Care Research Group, which is regarded as one of the most influential on Wall Street.
- o Smith Barney has been highly active in the underwriting of initial public offerings for health care companies. During the last eighteen months Smith Barney was selected as a managing underwriter for the initial public offerings of Healthcare Services of America, Healthcare International, HealthVest, Health Management Associates, InSpeech, Forum Retirement Partners, and

**SMITH BARNEY**

**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

American Health Properties. In addition, Smith Barney has brought public several other quality medical companies including Marion Labs, Collagen Corporation, Stryker and Amgen. As a result of these transactions and our thorough research coverage, the Smith Barney system is among Wall Street's best-educated regarding the health care industry. The fact that these transactions have been completed successfully during an exceptionally difficult period in the industry is testimony to Smith Barney's ability to achieve what most others can only promise.

- o Smith Barney considers itself to be one of the leading firms in the structuring and underwriting of health care real estate transactions. Our expertise spans the areas of real estate investment trusts, master limited partnerships and private limited partnership transactions. The Health Care Group has been at the forefront in the development and distribution of many of the largest health care real estate entities that have emerged over the last two years: HealthVest, Meditrust, Forum Retirement Partners, Universal Health Realty Income Trust and American Health Properties.
- o The Health Care Group offers HEALTHSOUTH a wide range of experience gained from the successful execution of a variety of other health care transactions including debt financings, merger and acquisition services, tax-exempt bonds, joint-venture financings and stock repurchase programs.

Health care clients for whom we have completed investment banking assignments include:

| Client                         | Transaction(s); size  |
|--------------------------------|---|
| Advanced Genetic Sciences      | <ul style="list-style-type: none"> <li>• Initial public offering; \$13M</li> </ul>  |
| American Medical International | <ul style="list-style-type: none"> <li>• Initial public offering of American Health Properties (real estate investment trust); \$200M</li> </ul>                                |
| Amgen                          | <ul style="list-style-type: none"> <li>• Initial public offering; \$42M</li> <li>• Secondary stock offering; \$25M</li> <li>• Sale of 8.7% interest to Kebo AB; \$6M</li> </ul> |
| Collagen                       | <ul style="list-style-type: none"> <li>• Initial public offering; \$14M</li> <li>• Secondary stock offering; \$24M</li> </ul>   |
| Dow Chemical                   | <ul style="list-style-type: none"> <li>• Purchase of Seragen; \$9M</li> <li>• Sale of Bio-Science Enterprises to American Hospital Supply; \$120M</li> </ul>                    |
| Dow Corning                    | <ul style="list-style-type: none"> <li>• Sale of Sight Savers to Bausch &amp; Lomb; \$7M</li> </ul>   |

SMITH BARNEY

**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

| Client                          | Transaction(s); size  |
|---------------------------------|---|
| Forum Group, Inc.               | <ul style="list-style-type: none"> <li>Initial public offering of Forum Retirement Partners (master limited partnership); \$64M</li> </ul>  |
| Glenbeigh, Inc.                 | <ul style="list-style-type: none"> <li>Sale of nursing homes to Genesis Health Ventures and Hannover Healthcare; \$15M</li> </ul>   |
| Health Management Associates    | <ul style="list-style-type: none"> <li>Initial public offering; \$15M</li> <li>Subordinated debentures; \$20M</li> <li>Convertible preferred stock; \$7M</li> <li>Revolving credit/term loan facility; \$20M</li> </ul> |
| Healthcare International        | <ul style="list-style-type: none"> <li>Initial public offering; \$24M</li> <li>Subordinated debentures; \$35M</li> </ul>  |
| Healthcare Services of America  | <ul style="list-style-type: none"> <li>Initial public offering; \$28M</li> </ul>  |
| HealthVest                      | <ul style="list-style-type: none"> <li>Initial public offering (real estate investment trust sponsored by Healthcare International); \$117M</li> <li>Secondary stock offering; \$100M*</li> </ul>                       |
| Home Nutritional Support        | <ul style="list-style-type: none"> <li>Sale to Healthdyne; \$20M</li> </ul>   |
| Hospital Corporation of America | <ul style="list-style-type: none"> <li>Common stock repurchase; \$350M</li> </ul>   |
| Humana                          | <ul style="list-style-type: none"> <li>Private placement of senior notes; \$13M</li> <li>Private placement of senior notes; \$25M</li> </ul>  |
| InSpeech                        | <ul style="list-style-type: none"> <li>Initial public offering; \$43M</li> </ul>  |
| Kebo AB                         | <ul style="list-style-type: none"> <li>Purchase of 29.2% interest in Calmar; \$37M</li> </ul>   |
| Marion Labs                     | <ul style="list-style-type: none"> <li>Secondary stock offering; \$18M</li> </ul>   |
| Marsam Pharmaceuticals          | <ul style="list-style-type: none"> <li>Initial public offering; \$10M*</li> </ul>   |
| The Mediplex Group              | <ul style="list-style-type: none"> <li>Industrial development bonds; \$6M</li> </ul>  |
| Meditrust                       | <ul style="list-style-type: none"> <li>Secondary offering (real estate investment trust sponsored by The Mediplex Group, a subsidiary of Avon Products); \$138M</li> </ul>  |

\*Transaction in progress

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SMITH BARNEY

**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

| Client  | Transaction(s); size  |
|---|---|
| Mentor Corporation  | <ul style="list-style-type: none"> <li>• Secondary stock offering; \$20M</li> <li>• Purchase of American Heyer-Schulte; \$15M</li> </ul>  |
| Paramedical Specialties   | <ul style="list-style-type: none"> <li>• Sale to Healthdyne; \$4M</li> </ul>  |
| Patterson Dental  | <ul style="list-style-type: none"> <li>• Secondary stock offering; \$2M</li> <li>• Senior notes; \$50M</li> </ul>   |
| PDA, Inc.   | <ul style="list-style-type: none"> <li>• Leveraged buyout of Patterson Dental; \$50M</li> </ul>   |
| Perrigo   | <ul style="list-style-type: none"> <li>• Sale to Grow Group; \$45M</li> </ul>   |
| Pfizer  | <ul style="list-style-type: none"> <li>• Secondary stock offerings; \$12M, \$19M and \$29M</li> </ul>   |
| Pharmacia   | <ul style="list-style-type: none"> <li>• Purchase of 20% interest in Electro-Nucleonics, Inc.; \$14M</li> <li>• Sale of U.S. diagnostics business to Electro-Nucleonics; \$9M</li> </ul>  |
| Puritan-Bennett   | <ul style="list-style-type: none"> <li>• Secondary stock offering; \$21M</li> <li>• Stock repurchase; \$15M</li> </ul>  |
| G.D. Searle   | <ul style="list-style-type: none"> <li>• Sale to Monsanto; \$2,800M</li> </ul>  |
| Seragen   | <ul style="list-style-type: none"> <li>• Sale to Nyegaard AS; \$7M</li> </ul>   |
| Service Corporation International                                 | <ul style="list-style-type: none"> <li>• Secondary stock offering; \$54M</li> </ul>   |
| Sierra Foundation for Health                                      | <ul style="list-style-type: none"> <li>• Tender of 57.5% interest in Americare Health Corp. to AHC Acquisition Corp.; \$70M</li> </ul>  |
| Stryker   | <ul style="list-style-type: none"> <li>• Initial public offering; \$12M</li> </ul>  |
| Universal Health Services<br>Universal Health Realty Income Trust | <ul style="list-style-type: none"> <li>• Exchange offer resulting in the formation of a real estate investment trust through the exchange of common stock and debentures of Universal Health Services for shares of Universal Health Realty Income Trust; \$122M</li> </ul> |
| ValleyLab   | <ul style="list-style-type: none"> <li>• Secondary stock offering; \$7M</li> <li>• Sale to Pfizer; \$127M</li> </ul>  |

HEA 413-1643  
 Subj. to Rule 6(e)  
 Confidentiality

SMITH BARNEY

**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

**Balanced Distribution: Premier Institutional Equity Capability Combined with a Large National Retail Distribution System**

- o Smith Barney is unique in that it possesses powerful institutional and powerful retail distribution capability. Virtually all the large "wirehouse" firms lack a strong and respected institutional effort and all the large "institutional" firms have no meaningful captive retail distribution capability. Smith Barney has the ability to sell an equity offering almost entirely to institutions, almost entirely to retail investors or to strike a balance between the two.
- o Smith Barney has been consistently ranked by institutions as one of the most powerful institutional equity firms on Wall Street. We have achieved our position by combining a superior sales force of more than 50 professionals, a leading research department and the commitment of capital to trade securities as a principal. Measured in terms of account penetration (500 major U.S. institutions and 1,500 second and third-tier institutions), number of blocks traded, order execution, institutional equity research and overall customer service, Smith Barney ranks consistently among the top firms in our industry and considers itself second to none in its overall institutional capability.
- o In the international institutional equity arena, Smith Barney is considered to be among the top three firms in overall service. Smith Barney's international sales force includes 20 senior equity salesmen located in London, Paris, Geneva, Zurich and Lugano and maintains contact with more than 500 accounts. Most of these 20 professionals have worked together for more than a decade, and this continuity, combined with the focus on working closely with the Research Department on U.S. investment opportunities, has resulted in long-standing relationships with most of the larger European institutional buyers of U.S. equities.
- o Our retail sales force numbers 2,000 account executives and operates from over 100 offices worldwide with significant presence in all major retail investor markets. Our retail system is focused on high net worth individuals and currently services approximately 600,000 active accounts.
- o Because of our unique balance, Smith Barney has consistently effected an extremely well-balanced distribution of its clients' equity securities. During the past 3 years, for all common stock offerings in which Smith Barney acted as lead manager, our firm sold an average of 50% of such offerings to institutions and 50% to retail investors. Smith Barney's retail and institutional sales forces played the critical role in achieving this balance. On average, our firm sold over 50% of each issue we managed.
- o Because Smith Barney has substantial captive distribution capability, we can exercise the control necessary to achieve the desired retail/institutional mix. This capability is not available to a managing underwriter with limited or imbalanced (retail or institutional) distribution, who must rely heavily on the sales forces of syndicate members which are far outside its immediate control.

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**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

**Research: One of the Premier Health Care Research Groups on Wall Street**

- o In public and private surveys among the nation's institutional investors (i.e., Greenwich Research and Institutional Investor), Smith Barney consistently ranks among the most highly respected and highest quality sources of fundamental research in our business. Smith Barney was a primary developer of in-depth research for institutions in the early 1950's, and our commitment to research has not diminished at any time throughout years of change in the securities industry.
- o Smith Barney possesses one of the most highly influential health care research efforts on Wall Street, with five fundamental analysts covering all major sectors of health care. In the 1985 Institutional Investor ranking, Smith Barney was the only firm to have its research analysts top-ranked in all three sectors of health care: hospital management, hospital supply and drugs. John Hindelong, who has long been acknowledged as the leading health services analyst on Wall Street, has been chosen as an Institutional Investor "All-American" research analyst in hospital management for each of the last eight years, while Joe France received recognition as both an All-American in hospital supply and a runner-up in hospital management in 1985. Our commitment to quality health care research is further complemented by the fact that our Research Director, Larry Smith, was formerly our Pharmaceutical Analyst and nationally recognized in that industry.

| <b><u>Research Analyst</u></b> | <b><u>Industry Segments</u></b>          |
|--------------------------------|--|
| John Hindelong                 | Hospital Management                      |
| Joseph France                  | Specialty Health Care & Medical Products |
| Rae Alperstein                 | Hospital Management                      |
| Richard Stover                 | Pharmaceuticals & Life Sciences          |
| Adele Haley                    | Pharmaceuticals & Life Sciences          |

- o Smith Barney's policy is to provide ongoing research coverage to all of its investment banking clients, this coverage taking the form of a major report every 12 months and, at a minimum, 4 quarterly research reports. As is the case with all our research, these reports are distributed to our entire retail and institutional sales forces and through them to potentially over 2,500 institutional accounts and more than 600,000 active retail accounts.
- o As well as publishing research, Smith Barney, through the Research Department, will sponsor meetings every six to nine months between the management of HEALTHSOUTH and specific institutions who are existing shareholders or potential buyers of the Company's securities. An active relationship with institutions, coupled with consistent performance, will ensure the demand necessary to achieve a fully-valued stock price and prepare the market for new issues. In addition, Smith Barney sponsors a major health care services seminar each year. In 1986, 75 institutions attended the Smith Barney conference to hear presentations from 17 of the leading hospital, nursing home, alternative care and specialty health care services companies in the United States.

**HEA 413-1645**  
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SMITH BARNEY

**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

**Greenwich Research Associates' Rankings Of Wall Street Firms In Research**

| Firm                              | Rank     |          |          |          |
|-----------------------------------|----------|----------|----------|----------|
|                                   | 1986     | 1985     | 1984     | 1983     |
| Merrill Lynch                     | 1        | 1        | 1        | 1        |
| Goldman Sachs                     | 2        | 2        | 2        | 2        |
| Kidder Peabody                    | 3        | 3        | 3        | 3        |
| First Boston                      | 4        | 6        | 8        | 8        |
| Morgan Stanley                    | 5        | 4        | 4        | 3        |
| <b>SMITH BARNEY, HARRIS UPHAM</b> | <b>6</b> | <b>5</b> | <b>5</b> | <b>5</b> |
| Salomon Brothers                  | 7        | 10       | 10       | 10       |
| PaineWebber                       | 8        | 7        | 6        | 6        |
| Donaldson, Lufkin & Jenrette      | 9        | 8        | 9        | 9        |
| Drexel Burnham Lambert            | 9        | 11       | 10       | 11       |
| Dean Witter Reynolds              | 11       | 9        | 7        | 7        |
| C. J. Lawrence                    | 12       | 12       | 12       | 12       |
| Prudential-Bache Securities       | 13       | 13       | 13       | 21       |
| Shearson Lehman Brothers          | 14       | 14       | 18       | 18       |
| Wertheim                          | 15       | 17       | 16       | 15       |
| Bear Stearns                      | 16       | 15       | 14       | 15       |
| E. F. Hutton                      | 17       | 16       | 20       | 14       |
| Oppenheimer                       | 18       | 18       | 19       | 13       |
| Cowen                             | 19       | 18       | 14       | 18       |
| Sanford C. Bernstein              | 20       | 20       | 23       | 25       |

**Over-the-Counter Equity Trading: Committing More Capital Per Issue Than Any Other Firm**

- o It is imperative that the managing underwriter have significant over-the-counter trading expertise to function as a principal market maker in a client's stock. This is especially important during the first few days after an offering when it is not unusual for a substantial portion of the issue to trade and the need to effect an orderly market is critical. On an ongoing basis this trading expertise is critical in order to maintain a liquid, stable market in which long-term investors would be attracted to participate.
- o Smith Barney is one of the most powerful equity trading firms on Wall Street. As measured by the volume of listed and over-the-counter block trades (10,000 shares or more), by quality of execution and by overall service, institutions consistently rank Smith Barney among the top firms in our industry. Smith Barney's ability to purchase, as principal, sizeable blocks of stock and distribute them through our captive retail distribution system or to institutional investors acts as a major stabilizing force in the aftermarket.
- o Smith Barney commits to being one of the major trading factors in each of our clients' stocks and our clients have discovered that we often dominate the trading volume in their stock. Smith Barney applies a "rifle shot" rather than a "shotgun" approach to over-the-counter trading. That is, rather than trade every issue, we focus on a more selective universe of approximately 350 issues where we can be one of the principal market makers, if not the

SMITH BARNEY

**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

principal market maker, in the stock. On this basis, we commit more capital per issue traded than any of our competitors. It is not unusual for us to trade 30-50% of the volume in clients' stocks, even though there may be as many as 10 to 15 market makers trading the stock.

**Greenwich Research Associates' Rankings Of Wall Street Firms In Execution**

| Firm                                   | Rank     |          |          |          |
|--|----------|----------|----------|----------|
|  | 1986     | 1985     | 1984     | 1983     |
| Goldman Sachs                          | 1        | 1        | 1        | 1        |
| Merrill Lynch                          | 1        | 2        | 2        | 1        |
| Morgan Stanley                         | 3        | 3        | 3        | 3        |
| Salomon Brothers                       | 4        | 6        | 6        | 4        |
| First Boston                           | 5        | 7        | 8        | 9        |
| Kidder Peabody                         | 6        | 3        | 5        | 5        |
| <b>SMITH BARNEY, HARRIS UPHAM</b>      | <b>7</b> | <b>5</b> | <b>4</b> | <b>6</b> |
| PaineWebber                            | 8        | 8        | 7        | 7        |
| Donaldson, Lufkin & Jenrette           | 9        | 10       | 10       | 10       |
| Drexel Burnham Lambert                 | 10       | 13       | 12       | 12       |
| Shearson Lehman Brothers               | 11       | 11       | 16       | 16       |
| Dean Witter Reynolds                   | 12       | 9        | 9        | 8        |
| Prudential-Bache Securities            | 13       | 14       | 13       | 21       |
| Bear Stearns                           | 14       | 12       | 11       | 11       |
| E. F. Hutton                           | 15       | 15       | 15       | 13       |
| Jefferies                              | 16       | 16       | 18       | 16       |
| Wertheim                               | 17       | 17       | 17       | 16       |
| C. J. Lawrence                         | 18       | 18       | 18       | 19       |
| Oppenheimer                            | 19       | 18       | 20       | 15       |
| L. F. Rothschild, Unterberg,<br>Towbin | 20       | 20       | 23       | 23       |

**Investment Banking Commitment: Significant Capability In All Areas Of Corporate Finance**

Smith Barney has strong capabilities at each stage of the financing cycle of a growth company. The following sections describe the ways in which Smith Barney will bring its capabilities to bear on some of the specific needs which can be envisioned for HEALTHSOUTH.

- o **Common Stock Offerings:** Smith Barney has always been among the leading firms managing common stock offerings, our experience spanning a broad range of quality health care, technology and industrial companies. In 1986, Smith Barney managed 44 common stock offerings during the year, including such successful offerings as:

SMITH BARNEY

**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

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- InSpeech
  - Worlds of Wonder
  - Informix
  - Toll Brothers
  - HealthVest
  - North Side Savings Bank
  - Texas Air
  - Ashton-Tate
  - KLM Airlines
- o **Convertible Securities:** A natural extension of our capabilities in common stock financings is our presence in the area of convertible debt and convertible preferred financing. Thus far in 1987, Smith Barney ranks as the leading manager of convertible debt, having lead-managed three issues totaling \$750 million. In the past five years, Smith Barney has managed more than \$2.3 billion of convertible securities for over 35 clients and consistently ranks among the leading firms in managing convertible issues. Because convertible securities are equity-related, we, unlike most other firms, integrate a strong research and trading emphasis into our marketing of convertibles. Clients for whom we have recently managed convertible offerings include:
- Masco Corporation
  - Masco Industries
  - Prime Computer
  - Texas Air
  - Fremont General
  - Crossland Savings
  - Vestron
  - Recognition Equipment
  - American Savings Bank
  - Fruehauf
  - Apache
- o **Real Estate Financing:** Smith Barney has long-standing expertise in the structuring of sale-leaseback arrangements, real estate investment trusts (REITs) and master limited partnerships (MLPs). We believe that these forms of off-balance sheet financing are very attractive as companies and their shareholders realize that outright ownership of real assets is not necessarily the most effective allocation of capital. Our public offerings of REIT and MLP issues have done extremely well in the aftermarket, and our salesmen and their clientele continue to express a strong interest in seeing more products of this kind. In the last 12 months, Smith Barney managed REIT and MLP offerings for the following companies:
- American Health Properties
  - Forum Retirement Partners
  - Universal Health Realty Income Trust
  - Prime Motor Inns
  - Boston Celtics
  - Cal Fed

**HEA 413-1648**  
 Subj. to Rule 6(e)  
 Confidentiality

SMITH BARNEY

**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

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- La Quinta Motor Inns
  - Airlease
  - Meditrust
  - UDC-Universal Development
  - Harris-Teeter Properties
  - HealthVest
  - Burger King

Smith Barney is also one of the largest marketers of privately-placed real estate investments in the United States, having sold approximately \$700 million of equity product in the last two and one-half years. Of particular note is our financing for Marriott Corporation. During the last 2 years we have placed through our private retail system 4 offerings totalling \$275 million in equity to finance Marriott hotel assets.

- o **Debt Securities:** Smith Barney's strength in the negotiated debt market is often overshadowed by our equity capability. In fact, as a lead manager, Smith Barney has consistently ranked in the top tier of investment banks for debt offerings over the past five years. We have managed more than \$13 billion of debt during that period for over 150 clients including recent offerings for:

- TRW
- Scott Paper
- Dow Chemical
- Chrysler (5 issues totalling \$1.6 billion)
- Masco
- General Electric
- Great Northern Nekoosa
- Marriott
- Southern California Edison
- Kingdom of Denmark

In addition, Smith Barney has been actively sponsoring its lower-rated clients in the debt markets for many years. Our approach to the high yield market integrates research and trading with our well-known strength in institutional sales. We have managed numerous debt issues for companies rated double B or lower. In the past 15 months we have managed the following highly successful issues of subordinated debt:

- Healthcare International
- Greenman Brothers
- Grow Group
- Texas Air
- Murray Savings
- Dart Drug
- Health Management Associates
- UDC - Universal Development
- Kerr Glass
- Carrols Corporation

**HEA 413-1649**  
 Subj. to Rule 6(e)  
 Confidentiality

SMITH BARNEY

HEALTHSOUTH Rehabilitation Corporation  
Discussion of Financing Alternatives  
February 1987

- o **Merger & Acquisition Services:** Smith Barney has made a dramatic move in recent years to become one of the strongest M & A efforts on Wall Street. During the last five years, the Firm has completed over 120 transactions with an aggregate value exceeding \$17 billion. In 1986 alone, our staff of twenty-two merger and acquisition professionals completed 34 transactions valued at approximately \$3.5 billion. Our work for clients such as Imperial Chemical Industries (ICI), TRW, Scott Paper and The Williams Companies has been evenly divided between buy and sell assignments. We have also completed 11 leveraged buy-outs in the past two years. Our work in the health care industry has been notably successful for our clients, particularly PDA's \$50 million leveraged buyout of Patterson Dental, the \$127 million sale of ValleyLab to Pfizer, Dow Chemical's \$120 million divestiture of Bio-Science Enterprises to American Hospital Supply, the \$45 million sale of Perrigo Company to Grow Group, and Sierra Foundation for Health's \$70 million tender of its 57.5% interest in Americare Health Corp. to AHC Acquisition Corp.
- o **Private Placements:** This area has been one of the fastest growing of Smith Barney's investment banking services with the firm currently ranked in the top tier in private placement statistics. In the last two years alone, we have placed more than \$3 billion of equity and debt securities with institutional investors. These transactions have been executed for clients such as Humana, McDermott, The Williams Companies and Fairchild Industries. One notable recent transaction was the placement of \$1.3 billion of secured notes for International Harvester Credit Corp.
- o **Corporate Tax-Exempt Financing:** In the last three years, Smith Barney underwrote more than \$3 billion of tax-exempt debt for its taxable corporate clients. We have developed and underwritten \$6.7 billion of what is widely regarded to be the most innovative security in this market, the Adjustable Tender Security, so unique that we were granted a service mark on its name. We are also financing specialty hospitals and nursing homes with tax-exempt structures.

HEA 413-1650  
Subj. to Rule 6(e)  
Confidentiality

**HEA 413-1651**  
Subj. to Rule 6(e)  
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**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

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**ANALYSIS OF FINANCING ALTERNATIVES**

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**Common Stock Offering**

|                         |                                  |
|-------------------------|----------------------------------|
| Shares Issued:          | 2,200,000 shares sold by Company |
| Price to Public:        | \$12 1/8                         |
| Issue Size:             | \$26,675,000                     |
| Underwriter's Discount: | 5.00-5.50%                       |
| Net Proceeds:           | \$24,907,875-\$25,041,250        |

**Convertible Debentures Offering**

|                         |   |
|-------------------------|---|
| Principal Amount:       | \$25,000,000  |
| Interest Rate:          | 6.50%   |
| Offering Price:         | 100%  |
| Conversion Premium:     | 25% (\$15.16 based on current price)  |
| Underwriter's Discount: | 3.0%  |
| Net Proceeds:           | \$23,950,000  |
| Maturity:               | 25 years  |
| Interest Payable:       | Semi-annually   |
| Form of Debentures:     | Fully registered in denominations of \$1,000 and any multiple thereof.  |
| Optional Redemption:    | Commencing two years after the date of issuance (or sooner if the average closing stock price is 150% of the conversion price for 20 of 30 consecutive days), the Debentures may be redeemed at the option of the Company as a whole or in part at any time on at least 16 days' notice and no more than 60 days' notice at a redemption price equal to par plus the coupon in the first year and scaled to par by the end of the tenth year. |

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**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

|                                 |   |
|---------------------------------|---|
| <b>Mandatory Sinking Fund:</b>  | Commencing after ten years (1997) to retire 5% of the principal amount of Debentures each year at 100% of their principal amount, plus accrued interest to the date fixed for redemption.                     |
|                                 | Percent retired prior to maturity - 75% minimum.  |
|                                 | Average Life - 19 years.  |
| <b>Limitation on Refunding:</b> | The Debentures may not be redeemed prior to five years after issuance, directly or indirectly from or in anticipation of borrowed funds having a lower interest cost than the coupon on the Debentures.       |
| <b>Conversion Rights:</b>       | Holders of the Debentures have the right at their option, at any time on or before maturity, unless previously redeemed, to convert the principal amount of such Debentures into Common Stock of the Company. |
| <b>Anti-Dilution Provision:</b> | The conversion price will be adjusted in the event of:  |
|                                 | (a) payment of a cash or stock dividend or other distribution of Common Stock;  |
|                                 | (b) subdivision of the Company's outstanding shares into a greater number of shares or a combination of the Company's shares into a smaller number of shares; and   |
|                                 | (c) effective issuance of shares by reclassification of its shares of Common Stock; and   |
|                                 | (d) issuance of Common Stock or rights or warrants to purchase Common Stock at a price less than the equivalent conversion price set forth in these terms.  |

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**HEALTHSOUTH Rehabilitation Corporation**  
Discussion of Financing Alternatives  
February 1987

|                                     |   |
|-------------------------------------|---|
| <b>Subordination of Debentures:</b> | The payment of the principal of, premium, if any, interest and sinking fund on the Debentures will be subordinated in right of payment in full to all senior indebtedness of the Company whether outstanding on the date of the Indenture or thereafter created, incurred, assumed or guaranteed. |
| <b>Negative Covenants:</b>          | Dividend restriction only.  |

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HEALTHSOUTH REHABILITATION CORPORATION  
Discussion of Financing Alternatives  
February 1987

**PRO FORMA ANALYSIS**  
(Dollars in thousands except per share amounts)

Pro forma calculations assume an offering date of June 30, 1987, i.e. the offering will have effect for one-half of 1987.

|                                      | Pro Forma for Issuance of<br>2200000 Shares of Common Stock<br>at \$12.13 Per Share |        |          |        |
|--------------------------------------|---|--------|----------|--------|
|                                      | Current(1)  |        |          |        |
| Short-Term Debt(2)                   | \$2,600   |        | \$0      |        |
| Capitalization:                      |   |        |          |        |
| Senior Long-Term Debt(3)             | \$13,000  | 35.3%  | \$5,076  | 9.4%   |
| Sub. Long-Term Debt                  | 0   | 0.0%   | 0        | 0.0%   |
| Total Long-Term Debt                 | 13,000  | 35.3%  | 5,076    | 9.4%   |
| Stockholders' Equity                 | 23,864  | 64.7%  | 48,905   | 90.6%  |
| Total Capitalization                 | \$36,864  | 100.0% | \$53,981 | 100.0% |
| Senior LTD as a % of Common Equity   | 54%   |        | 10%      |        |
| LTD as a % of Common Equity          | 54%   |        | 10%      |        |
| Total Debt as a % of Common Equity   | 65%   |        | 10%      |        |
| Interest Coverages:                  | S-X   | TD     | S-X      | TD     |
| 1987 Estimate(4)                     | 3.6 x   | 4.4 x  | 5.2 x    | 7.3 x  |
| Earnings Impact:(5)                  | 87 E  |        | 87 E     |        |
| Earnings Before Taxes (As Estimated) | \$5,277   |        | \$5,277  |        |
| Additional Interest Expense          | -   |        | -        |        |
| Interest Savings on Retired Debt     | -   |        | 396      |        |
| Return on Excess Proceeds(6)         | -   |        | 665      |        |
| Amortization of Issuance Expenses    | -   |        | -        |        |
| Adjusted Earnings Before Taxes       | 5,277   |        | 6,339    |        |
| Pro Forma Income Tax                 | 2,111   |        | 2,536    |        |
| Pro Forma Net Income                 | \$3,166   |        | \$3,803  |        |
| Impact on Shares Outstanding:        |   |        |          |        |
| Shares Outstanding                   | 7,916   |        | 7,916    |        |
| New Shares Issued                    | -   |        | 2,200    |        |
| Pro Forma Shares Outstanding         | 7,916   |        | 10,116   |        |
| Average Shares Outstanding 1987      | 7,916   |        | 9,016    |        |
| % Increase in Shares                 | -   |        | 28%      |        |
| Impact on Earnings Per Share:        |   |        |          |        |
| EPS (As Estimated)                   | \$0.40  |        | \$0.40   |        |
| Pro Forma EPS                        | \$0.40  |        | \$0.42   |        |
| Change - \$                          | -   |        | 0.02     |        |
| Change - %                           | -   |        | 5.0%     |        |

Notes:

- (1) Estimates using prospectus.
- (2) Includes current maturities of long-term debt.
- (3) Includes capital lease obligations.
- (4) Calculated using current estimate of earnings for 1987.
- (5) All adjustments weighted assuming effects of offering would impact earnings for six months.
- (6) Assumes investment at 3-month T-Bill rate of 5.5%.

HEA 413-1655  
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HEALTHSOUTH REHABILITATION CORPORATION  
Discussion of Financing Alternatives  
February 1987

**PRO FORMA ANALYSIS**  
(Dollars in thousands except per share amounts)

Pro forma calculations assume an offering date of June 30, 1987, i.e. the offering will have effect for one-half of 1987.

|                                      | Pro Forma for Issuance of \$25000000<br>of 6.50% Convertible Subordinated Debentures |               |                   |               |                  |               |
|--------------------------------------|--|---------------|-------------------|---------------|------------------|---------------|
|                                      | Current(1)   |               | Before Conversion |               | After Conversion |               |
| <b>Short-Term Debt(2)</b>            | \$2,600  |               | \$0               |               | \$0              |               |
| <b>Capitalization:</b>               |  |               |                   |               |                  |               |
| Senior Long-Term Debt(3)             | \$13,000   | 35.3%         | \$5,076           | 9.4%          | \$5,076          | 9.4%          |
| Sub. Long-Term Debt                  | 0  | 0.0%          | 25,000            | 46.3%         | 0                | 0.0%          |
| Total Long-Term Debt                 | 13,000   | 35.3%         | 30,076            | 55.8%         | 5,076            | 9.4%          |
| Stockholders' Equity                 | 23,864   | 64.7%         | 23,864            | 44.2%         | 48,864           | 90.6%         |
| <b>Total Capitalization</b>          | <b>\$36,864</b>  | <b>100.0%</b> | <b>\$53,940</b>   | <b>100.0%</b> | <b>\$53,940</b>  | <b>100.0%</b> |
| Senior LTD as a % of Common Equity   | 54%  |               | 21%               |               | 10%              |               |
| LTD as a % of Common Equity          | 54%  |               | 126%              |               | 10%              |               |
| Total Debt as a % of Common Equity   | 65%  |               | 126%              |               | 10%              |               |
| <b>Interest Coverages:</b>           | S-X  | TD            | S-X               | TD            | S-X              | TD            |
| 1987 Estimate(4)                     | 3.6 x  | 4.4 x         | 3.4 x             | 4.0 x         | 5.0 x            | 6.9 x         |
| <b>Earnings Impact:(5)</b>           | 87 E   |               | 87 E              |               | 87 E             |               |
| Earnings Before Taxes (As Estimated) | \$5,277  |               | \$5,277           |               | \$5,277          |               |
| Additional Interest Expense          | .  |               | (813)             |               | .                |               |
| Interest Savings on Retired Debt     | .  |               | 396               |               | 396              |               |
| Return on Excess Proceeds(6)         | .  |               | 615               |               | 615              |               |
| Amortization of Issuance Expenses    | .  |               | (6)               |               | (300)(7)         |               |
| Adjusted Earnings Before Taxes       | 5,277  |               | 5,470             |               | 5,989            |               |
| Pro Forma Income Tax                 | 2,111  |               | 2,188             |               | 2,396            |               |
| <b>Pro Forma Net Income</b>          | <b>\$3,166</b>   |               | <b>\$3,282</b>    |               | <b>\$3,593</b>   |               |
| <b>Impact on Shares Outstanding:</b> |  |               |                   |               |                  |               |
| Shares Outstanding                   | 7,916  |               | 7,916             |               | 7,916            |               |
| New Shares Issued                    | -  |               | -                 |               | 1,649            |               |
| Pro Forma Shares Outstanding         | 7,916  |               | 7,916             |               | 9,565            |               |
| Average Shares Outstanding 1987      | 7,916  |               | 7,916             |               | 8,741            |               |
| % Increase in Shares                 | -  |               | -                 |               | 20.8%            |               |
| <b>Impact on Earnings Per Share:</b> |  |               |                   |               |                  |               |
| EPS (As Estimated)                   | \$0.40   |               | \$0.40            |               | \$0.40           |               |
| Pro Forma EPS                        | \$0.40   |               | \$0.41            |               | \$0.41           |               |
| Change - \$                          | -  |               | 0.01              |               | 0.01             |               |
| Change - %                           | -  |               | 2.5%              |               | 2.5%             |               |

**Notes:**

- (1) Estimates using prospectus.
- (2) Includes current maturities of long-term debt.
- (3) Includes capital lease obligations.
- (4) Calculated using current estimate of earnings for 1987.
- (5) All adjustments weighted assuming effects of offering would impact earnings for six months.
- (6) Assumes investment at 3-month T-Bill rate of 5.5%.
- (7) Assumes all issuance expenses are expensed upon conversion.

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EXHIBIT

**HEA 413-1657**  
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**HEA 413-1658**  
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SMITH BARNEY

**HEALTHSOUTH Rehabilitation Corporation**  
Discussion of Financing Alternatives  
February 1987

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**HEALTH CARE SPECIALISTS**

**Benjamin D. Lorello, Managing Director**

Mr. Lorello is the Director of Smith Barney's health care corporate finance effort. Prior to joining Smith Barney in April 1985, Mr. Lorello was a Senior Vice President at Shearson Lehman Brothers, where he was one of three senior members in Shearson Lehman's health care group. Mr. Lorello joined the corporate finance department of a predecessor firm of Shearson Lehman Brothers in 1977 and has specialized in health care investment banking since 1982. He holds an MBA from the Massachusetts Institute of Technology (1977), where he graduated first in his class and is a summa cum laude graduate of the University of Rhode Island (1975).

**Thomas W. Hearne III, Vice President**

Mr. Hearne joined the Smith Barney Health Care Group in 1986. Prior to joining Smith Barney, Mr. Hearne was a Vice President at E.F. Hutton & Company, where he was a generalist. Mr. Hearne graduated magna cum laude from Colby College with a degree in Mathematics in 1977.

**James M. Hesburgh, Associate**

Mr. Hesburgh joined the Smith Barney Health Care Group in 1986. Prior to joining Smith Barney, Mr. Hesburgh was an Associate at PaineWebber, Inc., where he was a generalist. Mr. Hesburgh received his MBA from UCLA in 1984 and a degree in Finance from the University of Notre Dame in 1980.

**Bruce C. Cozadd, Analyst**

Mr. Cozadd joined the Health Care Group in 1985 after graduating cum laude from Yale University with a degree in Economics and Molecular Biophysics and Biochemistry.

**Erik D. Wiberg, Analyst**

Mr. Wiberg joined the Health Care Group after graduating from the University of Pennsylvania in 1985 with a degree in Finance and Accounting and a degree in Computer Science Engineering.

**Mary P. McDaniel, Analyst**

Ms. McDaniel joined the Health Care Group in 1987. Prior to joining Smith Barney, Ms. McDaniel worked in the Research Department at Salomon Brothers Inc. Ms. McDaniel is a graduate of Harvard University.

**HEA 413-1659**  
Subj. to Rule 6(e)  
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SMITH BARNEY

**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

**John F. Hindelong, Managing Director**

Mr. Hindelong joined Smith Barney in May 1985 as the firm's senior hospital management analyst. Mr. Hindelong has researched the health services industry since 1975 and has been ranked as the number one, two or three analyst covering the industry by Institutional Investor magazine for the last decade. Prior to joining Smith Barney, he served as Research Director at Dillon, Read & Co. and Warburg Paribas Becker, where he was also responsible for research of the hospital management industry. Mr. Hindelong earned his MBA from Fairleigh Dickinson and his B.S. in Accounting from St. Peter's College. Mr. Hindelong is a Certified Public Accountant and a past President of the Medical Analysts of New York. Mr. Hindelong is closely affiliated with many programs associated with the hospital management industry and is an active spokesman for the industry.

**Joseph D. France, Managing Director**

Mr. France joined Smith Barney in 1982 and is the firm's senior analyst responsible for the medical products and specialty health care segments of the industry. Mr. France is a nationally ranked analyst in both the medical products and healthcare services segments. Mr. France earned a B.S. in Pharmacy and an MBA from the University of Kansas. Prior to joining Smith Barney, Mr. France was a research analyst at the First National Bank of Chicago, where he followed the healthcare industry.

**Rae Alperstein, Senior Analyst**

Ms. Alperstein joined Smith Barney in 1986 as a hospital management analyst. Prior to joining Smith Barney, Ms. Alperstein worked as a relationship manager for approximately four years in the Citibank Healthcare Financing Group, where she provided financing through loans and letters of credit for investor-owned and non-profit health services companies owning acute care, psychiatric and substance abuse treatment facilities, and nursing homes. Ms. Alperstein received her Masters degree in Management from Yale University and holds a B.A. in Foreign Languages from the University of Maryland.

**Richard R. Stover, Managing Director**

Mr. Stover acts as Smith Barney's senior pharmaceutical industry analyst. Mr. Stover has spent nearly 14 years as an analyst specializing in the health care industry, principally pharmaceuticals. Mr. Stover received his B.A. in Economics from the University of Pennsylvania and did his graduate work in business administration at N.Y.U. Mr. Stover is a member of the New York Security Analysts and the North American Society for Corporate Planning.

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SMITH BARNEY

**HEALTHSOUTH Rehabilitation Corporation**  
Discussion of Financing Alternatives  
February 1987

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**Adele M. Haley, Vice President**

Ms. Haley is responsible for coverage of the pharmaceutical industry. Ms. Haley has over six years' experience on Wall Street, having spent the last four covering the pharmaceutical industry. Ms. Haley received a B.A. from Franklin and Marshall College, where she was elected Phi Beta Kappa, and obtained an M.A. from Bryn Mawr Graduate School.

**HEA 413-1661**  
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2

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**SMITH BARNEY**

HEALTHSOUTH Rehabilitation Corporation  
 Discussion of Financing Alternatives  
 February 1987

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COMMON STOCK OFFERINGS MANAGED OR CO-MANAGED  
 BY SMITH BARNEY FROM 1980 TO PRESENT

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| Offer Date | Smith<br>Barney<br>Offer<br>Lead<br>Managed | Smith<br>Barney<br>IPO | Issuer                           | Industry<br>Group | Amount Sold<br>(including<br>over-allotment) | Offer Price<br>(adjusted<br>for splits) |
|------------|---|------------------------|----------------------------------|-------------------|--|---|
| 12-Feb-87  | N   | Y                      | American Health Properties, Inc. | Health Care       | \$200,000,000                                | \$20.00                                 |
| 15-Jan-87  | Y   | N                      | Standard Pacific, L.P.           | Service           | 58,400,000                                   | 28.00                                   |
| 09-Jan-87  | N   | Y                      | Crestmont Federal S&L            | Savings & Loan    | 24,600,000                                   | 11.00                                   |
| 19-Dec-86  | N   | Y                      | Forum Retirement Partners, L.P.  | Health Care       | 63,750,000                                   | 12.75                                   |
| 17-Dec-86  | Y   | Y                      | Prime Motor Inns L.P.            | Service           | 80,000,000                                   | 20.00                                   |
| 12-Dec-86  | Y   | Y                      | Markel                           | Insurance         | 9,000,000                                    | 10.00                                   |
| 10-Dec-86  | Y   | Y                      | Lane Financial                   | Bank              | 16,900,000                                   | 13.00                                   |
| 04-Dec-86  | Y   | Y                      | Boston Celtics L.P.              | Service           | 48,100,000                                   | 18.50                                   |
| 21-Nov-86  | N   | N                      | Centel                           | Phone(Utility)    | 65,200,000                                   | 57.00                                   |
| 20-Nov-86  | N   | Y                      | Cal Fed Income Partners L.P.     | General Fin.      | 110,000,000                                  | 10.00                                   |
| 13-Nov-86  | N   | Y                      | Irwin Magnetic Systems           | Manufacturing     | 18,900,000                                   | 8.00                                    |
| 06-Nov-86  | Y   | Y                      | Gainsco                          | Insurance         | 8,800,000                                    | 7.00                                    |
| 05-Nov-86  | Y   | Y                      | InSpeech                         | Health Care       | 43,000,000                                   | 17.00                                   |
| 17-Oct-86  | N   | Y                      | Immac                            | Service           | 20,900,000                                   | 11.00                                   |
| 15-Oct-86  | N   | Y                      | La Quinta Motor Inns-L.P.        | Service           | 79,500,000                                   | 20.00                                   |
| 03-Oct-86  | N   | Y                      | Airlease                         | Service           | 61,500,000                                   | 20.50                                   |
| 24-Sep-86  | N   | Y                      | Informix                         | Service           | 11,900,000                                   | 7.50                                    |
| 20-Aug-86  | N   | N                      | Meditrust                        | Health Care       | 138,000,000                                  | 17.33                                   |
| 08-Aug-86  | Y   | Y                      | Harris-Teeter Properties         | General Fin.      | 24,900,000                                   | 10.00                                   |
| 30-Jul-86  | Y   | N                      | Conquest Exploration             | Nat. Resources    | 14,900,000                                   | 4.65                                    |
| 24-Jul-86  | Y   | N                      | Puritan-Bennett                  | Health Care       | 21,100,000                                   | 21.00                                   |
| 23-Jul-86  | Y   | N                      | Shoney's South                   | Service           | 19,800,000                                   | 15.25                                   |
| 18-Jul-86  | Y   | Y                      | Nichols-Homeshield               | Manufacturing     | 20,200,000                                   | 13.00                                   |
| 11-Jul-86  | N   | Y                      | Richmond Hill Savings            | Savings & Loan    | 39,200,000                                   | 14.50                                   |
| 11-Jul-86  | Y   | Y                      | Tipton Centers                   | Retail            | 18,000,000                                   | 15.00                                   |
| 08-Jul-86  | N   | Y                      | Toll Brothers                    | Service           | 37,500,000                                   | 12.50                                   |
| 20-Jun-86  | Y   | Y                      | Health Management Associates     | Health Care       | 15,000,000                                   | 10.00                                   |
| 20-Jun-86  | Y   | Y                      | Worlds of Wonder                 | Manufacturing     | 124,200,000                                  | 18.00                                   |
| 05-Jun-86  | Y   | Y                      | J. Baker                         | Retail            | 43,400,000                                   | 14.00                                   |
| 04-Jun-86  | Y   | N                      | UDC-Universal Development        | Service           | 26,300,000                                   | 35.13                                   |
| 29-May-86  | Y   | Y                      | HealthVest                       | Health Care       | 108,500,000                                  | 20.00                                   |
| 22-May-86  | Y   | Y                      | Bear Automotive Service          | Manufacturing     | 32,700,000                                   | 13.25                                   |
| 19-May-86  | N   | N                      | Texas Air                        | Transportation    | 148,300,000                                  | 32.25                                   |
| 16-May-86  | Y   | N                      | Browning-Ferris Industries       | Service           | 106,700,000                                  | 35.00                                   |
| 09-May-86  | N   | Y                      | Bay View Federal Savings         | Savings & Loan    | 52,700,000                                   | 13.00                                   |
| 07-May-86  | Y   | N                      | Guaranty National                | Insurance         | 21,500,000                                   | 8.13                                    |
| 15-Apr-86  | N   | N                      | Intertrans                       | Transportation    | 16,900,000                                   | 16.13                                   |
| 08-Apr-86  | N   | N                      | Ashton-Tate                      | Service           | 32,000,000                                   | 21.38                                   |
| 08-Apr-86  | N   | Y                      | North Side Savings Bank          | Savings & Loan    | 22,100,000                                   | 13.50                                   |
| 01-Apr-86  | Y   | Y                      | First Federal Savings-Arkansas   | Savings & Loan    | 12,800,000                                   | 10.00                                   |

**HEA 413-1663**  
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SMITH BARNEY

HEALTHSOUTH Rehabilitation Corporation  
 Discussion of Financing Alternatives  
 February 1987

COMMON STOCK OFFERINGS MANAGED OR CO-MANAGED  
 BY SMITH BARNEY FROM 1980 TO PRESENT

| Offer Date | Smith<br>Barney<br>Offer<br>Lead<br>Managed | Smith<br>Barney<br>IPO | Issuer                         | Industry<br>Group | Amount Sold<br>(including<br>over-<br>allotment) | Offer Price<br>(adjusted<br>for splits) |
|------------|---|------------------------|--------------------------------|-------------------|--|---|
| 26-Mar-86  | N   | N                      | KLM Royal Dutch Airlines       | Transportation    | 307,500,000                                      | 20.50                                   |
| 10-Mar-86  | Y   | N                      | XL/Datacomp                    | Service           | 21,300,000                                       | 21.25                                   |
| 20-Feb-86  | Y   | N                      | Allegheny Beverage             | Service           | 58,000,000                                       | 25.50                                   |
| 20-Feb-86  | N   | Y                      | Burger King Investors Master   | Service           | 92,700,000                                       | 20.00                                   |
| 06-Feb-86  | Y   | N                      | Fluorocarbon                   | Manufacturing     | 5,200,000  | 15.63                                   |
| 30-Jan-86  | Y   | Y                      | St. Joe Gold                   | Nat. Resources    | 39,000,000                                       | 13.00                                   |
| 24-Jan-86  | Y   | Y                      | IFR Systems                    | Manufacturing     | 11,200,000                                       | 11.25                                   |
| 10-Jan-86  | Y   | N                      | Anitec Image Technology        | Manufacturing     | 45,900,000                                       | 12.67                                   |
| 20-Dec-85  | Y   | Y                      | Centennial Real Estate         | General Fin.      | 16,900,000                                       | 10.00                                   |
| 13-Dec-85  | Y   | N                      | Ferrofluidics                  | Manufacturing     | 12,000,000                                       | 3.75                                    |
| 11-Dec-85  | Y   | Y                      | Pacific Nuclear Systems        | Service           | 15,200,000                                       | 9.50                                    |
| 05-Dec-85  | Y   | Y                      | Wholesale Club                 | Retail            | 14,000,000                                       | 7.00                                    |
| 02-Dec-85  | Y   | N                      | Berkshire Gas                  | Gas               | 3,400,000  | 11.25                                   |
| 20-Nov-85  | N   | Y                      | American Savings Bank          | Savings & Loan    | 69,100,000                                       | 12.50                                   |
| 20-Nov-85  | N   | Y                      | Mercury General                | Insurance         | 120,200,000                                      | 19.00                                   |
| 25-Oct-85  | Y   | Y                      | Healthcare International       | Health Care       | 20,900,000                                       | 9.50                                    |
| 23-Oct-85  | N   | Y                      | CrossLand Savings, FSB         | Savings & Loan    | 112,500,000                                      | 9.00                                    |
| 08-Oct-85  | N   | Y                      | Vestron                        | Service           | 70,200,000                                       | 13.00                                   |
| 24-Sep-85  | Y   | Y                      | Open Air Markets               | Retail            | 16,400,000                                       | 11.00                                   |
| 22-Aug-85  | Y   | N                      | Apache Petroleum               | Nat. Resources    | 135,000,000                                      | 18.75                                   |
| 16-Aug-85  | N   | N                      | Texas Air                      | Transportation    | 55,000,000                                       | 19.13                                   |
| 16-Aug-85  | Y   | N                      | UDC-Universal Development      | Service           | 26,700,000                                       | 27.00                                   |
| 15-Aug-85  | Y   | Y                      | Healthcare Services of America | Health Care       | 24,000,000                                       | 12.00                                   |
| 18-Jul-85  | N   | N                      | Pogo Producing                 | Nat. Resources    | 70,300,000                                       | 14.63                                   |
| 26-Jun-85  | N   | Y                      | Apple Bank for Savings         | Savings & Loan    | 47,900,000                                       | 12.75                                   |
| 07-Jun-85  | Y   | N                      | Mentor                         | Health Care       | 17,300,000                                       | 18.25                                   |
| 23-May-85  | Y   | Y                      | Anitec Image Technology        | Manufacturing     | 26,400,000                                       | 7.33                                    |
| 21-May-85  | Y   | N                      | Republic Gypsum                | Manufacturing     | 17,900,000                                       | 9.88                                    |
| 02-May-85  | Y   | N                      | Greenman Bros                  | Service           | 27,600,000                                       | 19.20                                   |
| 17-Apr-85  | Y   | N                      | Holiday Inns                   | Service           | 51,300,000                                       | 52.00                                   |
| 12-Apr-85  | N   | Y                      | Rainier Realty Investors       | General Fin.      | 34,500,000                                       | 10.00                                   |
| 03-Apr-85  | Y   | N                      | Iomega                         | Manufacturing     | 16,400,000                                       | 10.00                                   |
| 21-Mar-85  | N   | Y                      | Travelers Realty Income        | General Fin.      | 51,800,000                                       | 20.00                                   |
| 14-Mar-85  | Y   | Y                      | XL/Datacomp                    | Service           | 20,000,000                                       | 15.00                                   |
| 11-Feb-85  | N   | N                      | Decision Data Computer         | Manufacturing     | 32,200,000                                       | 18.38                                   |
| 28-Nov-84  | Y   | Y                      | Nanometrics                    | Manufacturing     | 8,500,000  | 7.75                                    |
| 07-Nov-84  | Y   | N                      | Recognition Equipment          | Manufacturing     | 23,200,000                                       | 13.25                                   |
| 26-Oct-84  | Y   | N                      | Mayflower                      | Transportation    | 13,700,000                                       | 14.00                                   |
| 25-Jun-84  | Y   | N                      | Alexander & Alexander Services | Insurance         | 14,100,000                                       | 19.00                                   |
| 05-Jun-84  | Y   | N                      | Ponderosa                      | Service           | 31,300,000                                       | 20.88                                   |

HEA 413-1664  
 Subj. to Rule 6(e)  
 Confidentiality

**SMITH BARNEY**

**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

**COMMON STOCK OFFERINGS MANAGED OR CO-MANAGED  
 BY SMITH BARNEY FROM 1980 TO PRESENT**

| Offer     | Date | Smith<br>Barney<br>Lead<br>Offered<br>Managed | IPO | Issuer                      | Industry<br>Group | Amount Sold<br>(including<br>over-<br>allotment) | Offer Price<br>(adjusted<br>for splits) |
|-----------|------|---|-----|-----------------------------|-------------------|--|---|
| 17-Apr-84 |      | Y   | N   | Laidlaw Transportation      | Service           | 22,800,000                                       | 3.04                                    |
| 28-Mar-84 |      | Y   | Y   | Xidex Magnetics             | Manufacturing     | 12,800,000                                       | 12.50                                   |
| 14-Mar-84 |      | Y   | N   | Apache Petroleum            | Nat. Resources    | 123,500,000                                      | 19.00                                   |
| 25-Jan-84 |      | Y   | Y   | Homecrafters Warehouse      | Retail            | 32,000,000                                       | 16.00                                   |
| 04-Jan-84 |      | Y   | N   | UMC Industries              | Manufacturing     | 4,900,000  | 16.38                                   |
| 06-Dec-83 |      | Y   | Y   | Entre Computer Centers      | Retail            | 16,800,000                                       | 12.00                                   |
| 06-Dec-83 |      | Y   | N   | Mead                        | Manufacturing     | 46,200,000                                       | 42.00                                   |
| 06-Dec-83 |      | N   | Y   | Supertex                    | Manufacturing     | 13,500,000                                       | 9.00                                    |
| 05-Dec-83 |      | N   | N   | Iowa Electric Light & Power | Electric          | 17,000,000                                       | 17.00                                   |
| 26-Oct-83 |      | N   | Y   | Universal Development       | Service           | 10,000,000                                       | 10.00                                   |
| 05-Oct-83 |      | Y   | N   | Masco                       | Manufacturing     | 7,900,000  | 16.50                                   |
| 29-Sep-83 |      | N   | N   | Mead                        | Manufacturing     | 54,400,000                                       | 34.00                                   |
| 22-Sep-83 |      | Y   | Y   | Advanced Genetic Sciences   | Health Care       | 11,300,000                                       | 15.00                                   |
| 15-Sep-83 |      | Y   | N   | New York Airlines           | Transportation    | 23,100,000                                       | 9.25                                    |
| 14-Sep-83 |      | Y   | N   | Bangor Hydro-Electric       | Electric          | 12,800,000                                       | 14.25                                   |
| 14-Sep-83 |      | N   | N   | Oshman's Sporting Goods     | Retail            | 10,800,000                                       | 22.75                                   |
| 30-Aug-83 |      | Y   | N   | CFS Continental             | Service           | 4,400,000  | 22.08                                   |
| 30-Aug-83 |      | Y   | Y   | Culp                        | Manufacturing     | 12,800,000                                       | 12.75                                   |
| 25-Aug-83 |      | Y   | N   | Green Tree Acceptance       | General Fin.      | 19,800,000                                       | 9.00                                    |
| 23-Aug-83 |      | N   | N   | Mead                        | Manufacturing     | 4,200,000  | 32.75                                   |
| 23-Aug-83 |      | N   | N   | Mead                        | Manufacturing     | 6,100,000  | 32.75                                   |
| 04-Aug-83 |      | Y   | N   | Recognition Equipment       | Manufacturing     | 16,600,000                                       | 13.25                                   |
| 29-Jul-83 |      | N   | Y   | U. S. Capital               | Service           | 20,900,000                                       | 13.50                                   |
| 22-Jul-83 |      | N   | N   | Frontier Holdings           | Transportation    | 28,500,000                                       | 18.45                                   |
| 20-Jul-83 |      | Y   | N   | Holiday Inns                | Service           | 58,200,000                                       | 53.88                                   |
| 08-Jul-83 |      | N   | N   | Masonite                    | Manufacturing     | 37,700,000                                       | 50.25                                   |
| 29-Jun-83 |      | N   | N   | Apache Petroleum            | Nat. Resources    | 64,000,000                                       | 32.00                                   |
| 24-Jun-83 |      | Y   | N   | Easco                       | Manufacturing     | 28,200,000                                       | 20.50                                   |
| 17-Jun-83 |      | Y   | Y   | Amgen                       | Health Care       | 42,300,000                                       | 18.00                                   |
| 17-Jun-83 |      | Y   | N   | Foremost of America         | Insurance         | 65,600,000                                       | 33.67                                   |
| 15-Jun-83 |      | N   | N   | Scovill                     | Manufacturing     | 46,000,000                                       | 28.75                                   |
| 02-Jun-83 |      | Y   | N   | Collagen                    | Health Care       | 24,100,000                                       | 16.08                                   |
| 26-May-83 |      | Y   | N   | Informatics General         | Service           | 33,500,000                                       | 33.50                                   |
| 25-May-83 |      | Y   | N   | Republic Airlines           | Transportation    | 56,900,000                                       | 8.38                                    |
| 24-May-83 |      | Y   | N   | Scott Paper                 | Manufacturing     | 84,400,000                                       | 22.50                                   |
| 11-May-83 |      | Y   | N   | Mayflower                   | Transportation    | 17,000,000                                       | 9.44                                    |
| 04-May-83 |      | Y   | Y   | Green Tree Acceptance       | General Fin.      | 17,600,000                                       | 8.00                                    |
| 19-Apr-83 |      | Y   | N   | Technicom International     | Manufacturing     | 27,000,000                                       | 24.50                                   |
| 19-Apr-83 |      | Y   | N   | Telesphere International    | Service           | 31,500,000                                       | 15.75                                   |
| 13-Apr-83 |      | Y   | N   | Masco                       | Manufacturing     | 63,800,000                                       | 16.56                                   |

**HEA 413-1665**  
**Subj. to Rule 6(e)**  
**Confidentiality**

SMITH BARNEY

HEALTHSOUTH Rehabilitation Corporation  
 Discussion of Financing Alternatives  
 February 1987

COMMON STOCK OFFERINGS MANAGED OR CO-MANAGED  
 BY SMITH BARNEY FROM 1980 TO PRESENT

| Offer Date | Smith Barney<br>Lead<br>Managed | IPO | Issuer                     | Industry Group | Amount Sold<br>(including over-allotment) | Offer Price<br>(adjusted for splits) |
|------------|---------------------------------|-----|----------------------------|----------------|---|--------------------------------------|
| 11-Apr-83  | Y                               | N   | Head                       | Manufacturing  | 26,900,000                                | 23.38                                |
| 07-Apr-83  | N                               | N   | Browning-Ferris Industries | Service        | 49,700,000                                | 19.13                                |
| 03-Mar-83  | Y                               | N   | Instacom                   | Service        | 18,100,000                                | 7.25                                 |
| 23-Feb-83  | Y                               | N   | Newport                    | Manufacturing  | 21,800,000                                | 17.11                                |
| 22-Feb-83  | Y                               | N   | Scovill                    | Manufacturing  | 6,300,000                                 | 24.25                                |
| 10-Feb-83  | N                               | N   | Middle South Utilities     | Electric       | 125,200,000                               | 15.65                                |
| 09-Feb-83  | N                               | N   | Seagate Technology         | Manufacturing  | 74,600,000                                | 12.44                                |
| 08-Feb-83  | N                               | N   | Service Corporation Int'l  | Health Care    | 48,300,000                                | 15.89                                |
| 28-Jan-83  | Y                               | N   | TIE/Communications         | Manufacturing  | 58,500,000                                | 19.50                                |
| 06-Jan-83  | N                               | N   | TransWorld                 | Transportation | 77,000,000                                | 18.67                                |
| 15-Dec-82  | Y                               | N   | Masco                      | Manufacturing  | 12,100,000                                | 6.41                                 |
| 29-Nov-82  | N                               | N   | Apache Petroleum           | Nat. Resources | 121,500,000                               | 20.25                                |
| 24-Nov-82  | Y                               | N   | Informatics General        | Service        | 17,900,000                                | 21.00                                |
| 19-Nov-82  | Y                               | N   | Texas Air                  | Transportation | 43,800,000                                | 12.50                                |
| 29-Oct-82  | Y                               | N   | Marion Laboratories        | Health Care    | 17,800,000                                | 11.13                                |
| 05-Oct-82  | Y                               | N   | Ponderosa                  | Service        | 20,500,000                                | 13.67                                |
| 28-Sep-82  | Y                               | N   | American Electric Power    | Electric       | 63,000,000                                | 18.00                                |
| 21-Sep-82  | N                               | N   | Atlantic City Electric     | Electric       | 28,700,000                                | 19.25                                |
| 16-Sep-82  | Y                               | N   | Bangor Hydro-Electric      | Electric       | 8,700,000                                 | 11.63                                |
| 20-Jul-82  | N                               | N   | El Paso Electric           | Electric       | 57,500,000                                | 11.50                                |
| 16-Jun-82  | Y                               | N   | Masco                      | Manufacturing  | 10,800,000                                | 7.50                                 |
| 15-Jun-82  | Y                               | N   | TransWorld                 | Transportation | 45,900,000                                | 17.00                                |
| 14-Jun-82  | Y                               | N   | Pfizer                     | Health Care    | 12,200,000                                | 27.75                                |
| 09-Jun-82  | N                               | N   | Gulf United                | Insurance      | 13,800,000                                | 17.50                                |
| 25-May-82  | Y                               | N   | Telesphere International   | Service        | 10,600,000                                | 7.83                                 |
| 13-May-82  | N                               | N   | Middle South Utilities     | Electric       | 143,000,000                               | 14.30                                |
| 10-Mar-82  | Y                               | N   | Masco                      | Manufacturing  | 11,900,000                                | 7.28                                 |
| 24-Feb-82  | Y                               | N   | Pfizer                     | Health Care    | 19,300,000                                | 27.19                                |
| 10-Feb-82  | Y                               | N   | Greatwest Hospitals        | Health Care    | 14,100,000                                | 11.50                                |
| 19-Nov-81  | Y                               | N   | Pfizer                     | Health Care    | 28,700,000                                | 23.50                                |
| 04-Nov-81  | Y                               | Y   | Instacom                   | Service        | 9,000,000                                 | 3.33                                 |
| 29-Oct-81  | N                               | N   | Middle South Utilities     | Electric       | 63,800,000                                | 12.75                                |
| 23-Oct-81  | Y                               | Y   | Collagen                   | Health Care    | 13,700,000                                | 8.67                                 |
| 22-Sep-81  | Y                               | N   | Bangor Hydro-Electric      | Electric       | 5,200,000                                 | 10.38                                |
| 05-Aug-81  | Y                               | N   | El Paso Electric           | Electric       | 43,000,000                                | 10.75                                |
| 05-Aug-81  | Y                               | Y   | Geophysical Field Surveys  | Nat. Resources | 14,300,000                                | 15.50                                |
| 29-Jun-81  | N                               | N   | Northeast Utilities        | Electric       | 78,700,000                                | 8.75                                 |
| 25-Jun-81  | Y                               | N   | Floating Point Systems     | Manufacturing  | 29,200,000                                | 23.00                                |
| 11-Jun-81  | N                               | N   | AAllegheny Power System    | Electric       | 96,700,000                                | 16.13                                |
| 09-Jun-81  | N                               | N   | Southern                   | Electric       | 127,000,000                               | 11.55                                |

HEA 413-1666  
 Subj. to Rule 6(e)  
 Confidentiality

SMITH BARNEY

**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

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COMMON STOCK OFFERINGS MANAGED OR CO-MANAGED  
BY SMITH BARNEY FROM 1980 TO PRESENT

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| Offer Date | Smith<br>Barney<br>Lead<br>Managed | IPO | Issuer                     | Industry Group | Amount Sold<br>(including over-allotment) | Offer Price<br>(adjusted for splits) |
|------------|------------------------------------|-----|----------------------------|----------------|---|--------------------------------------|
| 19-May-81  | N                                  | N   | Iowa Resources             | Electric       | 20,300,000                                | 10.13                                |
| 12-May-81  | Y                                  | Y   | IPL Systems                | Manufacturing  | 18,200,000                                | 13.00                                |
| 23-Apr-81  | N                                  | N   | Browning-Ferris Industries | Service        | 34,900,000                                | 11.63                                |
| 20-Feb-81  | Y                                  | Y   | New York Airlines          | Transportation | 15,200,000                                | 9.50                                 |
| 04-Feb-81  | Y                                  | N   | ChemLawn                   | Service        | 12,800,000                                | 11.33                                |
| 21-Jan-81  | Y                                  | N   | Van Dusen Air              | Service        | 8,000,000                                 | 16.00                                |
| 18-Dec-80  | N                                  | N   | DEKALB AgResearch          | Service        | 37,300,000                                | 49.75                                |
| 18-Dec-80  | Y                                  | N   | ValleyLab                  | Health Care    | 6,600,000                                 | 16.50                                |
| 12-Dec-80  | N                                  | N   | Oak Industries             | Service        | 27,400,000                                | 21.06                                |
| 10-Dec-80  | Y                                  | N   | Bangor Hydro-Electric      | Electric       | 2,500,000                                 | 10.13                                |
| 20-Nov-80  | Y                                  | N   | Western of North America   | Nat. Resources | 65,400,000                                | 29.75                                |
| 12-Nov-80  | N                                  | N   | Southern                   | Electric       | 129,800,000                               | 11.80                                |
| 09-Jul-80  | Y                                  | N   | Seneca Oil                 | Nat. Resources | 11,400,000                                | 11.38                                |
| 02-Jul-80  | Y                                  | N   | Petroleum Equipment Tools  | Service        | 24,600,000                                | 15.38                                |
| 30-Jun-80  | N                                  | N   | Central & South West       | Electric       | 87,700,000                                | 14.63                                |
| 25-Jun-80  | Y                                  | N   | Moran Energy               | Nat. Resources | 25,700,000                                | 30.25                                |
| 25-Jun-80  | Y                                  | N   | Sullair                    | Manufacturing  | 9,600,000                                 | 8.25                                 |
| 01-May-80  | Y                                  | N   | Crystal Oil                | Manufacturing  | 17,600,000                                | 12.50                                |
| 29-Apr-80  | N                                  | N   | Middle South Utilities     | Electric       | 88,500,000                                | 12.65                                |
| 05-Mar-80  | Y                                  | N   | McDermott                  | Service        | 126,500,000                               | 31.63                                |
| 16-Jan-80  | N                                  | N   | Pacific Power & Light      | Electric       | 56,300,000                                | 18.75                                |

**HEA 413-1667**  
Subj. to Rule 6(e)  
Confidentiality

6

**HEA 413-1668**  
Subj. to Rule 6(e)  
Confidentiality

SMITH BARNEY

**HEALTHSOUTH Rehabilitation Corporation**  
**Discussion of Financing Alternatives**  
**February 1987**

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LEADING MANAGERS OF CONVERTIBLE OFFERINGS IN 1987

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| Manager                      | Number<br>of Issues<br>Lead-Managed | Amount<br>(millions) | % of Total |
|------------------------------|-------------------------------------|----------------------|------------|
| SMITH BARNEY, HARRIS UPHAM   | 3                                   | \$750                | 39.9       |
| Goldman, Sachs               | 2                                   | 225                  | 12.0       |
| Alex. Brown & Sons           | 2                                   | 200                  | 10.6       |
| Shearson Lehman Brothers     | 2                                   | 195                  | 10.4       |
| Salomon Brothers             | 1                                   | 160                  | 8.5        |
| First Boston                 | 1                                   | 85                   | 4.5        |
| Donaldson, Lufkin & Jenrette | 1                                   | 50                   | 2.7        |
| Dean Witter Reynolds         | 1                                   | 45                   | 2.4        |
| Morgan Stanley               | 1                                   | 45                   | 2.4        |
| Bear, Stearns                | 1                                   | 35                   | 1.9        |
| Kidder, Peabody              | 1                                   | 32                   | 1.7        |
| <br><b>Industry Total</b>    | <br>21                              | <br>\$1,880          |            |

**HEA 413-1669**  
**Subj. to Rule 6(e)**  
**Confidentiality**

**HEA 413-1670**  
Subj. to Rule 6(e)  
Confidentiality

SMITH BARNEY

## CONVERTIBLE DEBTURETTE OFFERINGS SINCE JANUARY 1, 1987

| Offer Date | Issuer                         |  | Dollar Amount (Mils) | Coupon (%) | Maturity Date | Ratings Moody/S&P | Offer Price | Offer Yield % | Stock Initial Price | Conver- sion Prior To Premium Offer (%) | Conver- sion Advance (%) |
|------------|--------------------------------|--|----------------------|------------|---------------|-------------------|-------------|---------------|---------------------|---|--------------------------|
|            |                                |  |                      |            |               |                   |             |               |                     |   |                          |
| 02/20/87   | Ramtek                         |  | 8.5                  | 10.250     | 02/15/02      | NR/NR             | 100.000     | 10.250        | 5.10                | 4.375                                   | 16.57 +10.250            |
| 02/19/87   | Sun Microsystems               |  | 100.0                | 5.250      | 02/15/12      | NR/NR             | 100.000     | 5.250         | 39.60               | 30.75                                   | 28.78 +5.250             |
| 02/19/87   | Policy Management Systems      |  | 100.0                | 5.500      | 02/01/12      | B1/B              | 100.000     | 5.500         | 36.25               | 28.75                                   | 26.09 +5.500             |
| 02/13/87   | Price                          |  | 175.0                | 5.500      | 02/28/12      | NR/NR             | 100.000     | 5.500         | 50.625              | 40.50                                   | 25.00 +5.500             |
| 02/13/87 * | Masco Corp.                    |  | 225.0                | 5.250      | 02/15/12      | A3/A              | 100.000     | 5.250         | 42.80               | 34.25                                   | 24.97 +4.199             |
| 02/12/87   | URS                            |  | 50.0                 | 6.500      | 02/15/12      | B3/B-             | 100.000     | 6.500         | 22.75               | 18.50                                   | 22.97 +6.500             |
| 02/11/87   | Macmillan                      |  | 125.0                | 5.500      | 02/15/12      | Baa1/BBB+         | 100.000     | 5.500         | 69.00               | 54.125                                  | 27.48 +5.500             |
| 02/11/87   | Difcon Electronics             |  | 32.0                 | 5.500      | 03/01/12      | NR/NR             | 100.000     | 5.500         | 39.50               | 30.50                                   | 29.51 +5.500             |
| 02/11/87   | Cassy's General Stores         |  | 35.0                 | 6.250      | 05/01/12      | Baa3/B            | 100.000     | 6.250         | 19.00               | 14.75                                   | 28.81 +6.250             |
| 02/06/87   | Paco Pharmaceutical Services   |  | 45.0                 | 6.500      | 03/01/07      | B2/B-             | 100.000     | 6.500         | 30.16               | 23.75                                   | 26.99 +6.500             |
| 02/05/87   | Federal                        |  | 160.0                | 6.000      | 02/15/17      | Baa1/BBB+         | 100.000     | 6.000         | 59.375              | 47.50                                   | 25.00 +3.516             |
| 02/04/87   | Kaman                          |  | 85.0                 | 6.000      | 03/15/12      | Ba1/BBB-          | 100.000     | 6.000         | 37.375              | 29.50                                   | 26.69 +4.237             |
| 01/29/87 * | Hasco Industries               |  | 175.0                | 6.000      | 12/15/11      | Ba1/BB-           | 100.000     | 6.000         | 36.00               | 28.50                                   | 26.31 +6.000             |
| 01/28/87 * | Prime Computer                 |  | 350.0                | 5.750      | 02/01/12      | Baa2/BB+          | 100.000     | 5.750         | 27.75               | 22.375                                  | 24.02 +5.750             |
| 01/27/87   | Varco International            |  | 20.0                 | 10.000     | 01/15/07      | B3/CCC            | 100.000     | 10.000        | 2.50                | 2.75                                    | *9.09 +10.000            |
| 01/27/87   | Moore McCormack Resources      |  | 45.0                 | 7.250      | 02/01/12      | B1/B+             | 100.000     | 7.250         | 26.40               | 21.125                                  | 24.97 +4.758             |
| 01/27/87   | Computer Associates Internat'l |  | 100.0                | 5.750      | 02/01/12      | Baa3/B+           | 100.000     | 5.750         | 48.25               | 37.375                                  | 29.10 +5.750             |
| 01/23/87   | E-town                         |  | 15.0                 | 6.750      | 02/01/12      | NR/A+             | 100.000     | 6.750         | 60.00               | 49.50                                   | 21.21 +1.093             |
| 01/22/87   | Northwest Natural Gas          |  | 15.0                 | 7.250      | 03/01/12      | NR/A-             | 100.000     | 7.250         | 29.85               | 25.00                                   | 19.40 +1.010             |
| 01/21/87   | Patrick Petroleum              |  | 7.0                  | 8.000      | 01/21/97      | B2/B-             | 100.000     | Units         | *                   | n.a.                                    | *                        |
| 01/21/87   | Cornerstone Financial          |  | 12.0                 | 7.000      | 01/01/99      | NR/NR             | 100.000     | 7.000         | 15.60               | 13.00                                   | 20.00 +7.000             |

\* Smith Barney lead managed

HEA 413-1671  
Subj. to Rule 6(e)  
Confidentiality

SMITH BARNEY

HEALTHSOUTH Rehabilitation Corporation  
 Discussion of Financing Alternatives  
 February 1987

## CONVERTIBLE DEBENTURE OFFERINGS SINCE JANUARY 1, 1987 (Cont'd)

| Offer Date | Issuer                         | Shares | Dollar % | Years To even | Break-even Cost | Net Int-erest | Type   | First Call | Sinking Fund | Annual Sinking Fund  | Percent Retired |
|------------|--------------------------------|--------|----------|---------------|-----------------|---------------|--------|------------|--------------|----------------------|-----------------|
|            |                                |        |          |               |                 |               |        | Call       | By Fund      |                      |                 |
|            |                                |        |          |               |                 |               |        | Call       | Start        | Average Sinking Fund |                 |
| 02/20/87   | Ramtek                         | 1,39   | 1.39     | 11,225        | 2.0             | SP            | -      | -          | 9,375        | 94                   | 75.0            |
| 02/19/87   | Sun Microsystems               | 4,26   | 4.26     | 5,778         | 2.0             | SP            | -      | -          | 5,000        | 98                   | 70.0            |
| 02/19/87   | Policy Management Systems      | 3,76   | 3.76     | 5,670         | 2.0             | SP            | -      | -          | -            | -                    | 19.8            |
| 02/13/87   | Price                          | 3,64   | 3.64     | 5,575         | 2.0             | SP            | -      | -          | -            | -                    | -               |
| 02/13/87 * | Masco Corp.                    | 4,53   | 4.76     | 5,323         | 2.0             | SP            | -      | -          | -            | -                    | -               |
| 02/12/87   | URS                            | 2,87   | 2.87     | 6,708         | 3.0             | SP            | 104.55 | 5,000      | 98           | 70.0                 | 19.8            |
| 02/11/87   | Macmillan                      | 3,92   | 3.92     | 5,584         | 2.0             | NC            | -      | -          | 5,000        | 98                   | 70.0            |
| 02/11/87   | Diceon Electronics             | 4,14   | 4.14     | 5,708         | 2.0             | SP            | 104.40 | 5,000      | 97           | 75.0                 | 19.0            |
| 02/11/87   | Casey's General Stores         | 3,58   | 3.58     | 6,274         | 2.2             | SP            | -      | -          | -            | -                    | -               |
| 02/06/87   | Paco Pharmaceutical Services   | 3,27   | 3.27     | 6,753         | 2.0             | SP            | 105.20 | 7,500      | 97           | 75.0                 | 15.9            |
| 02/05/87   | Federal                        | 4,98   | 5.69     | 6,091         | 3.0             | SP            | 104.20 | 5,000      | 98           | -                    | 20.5            |
| 02/04/87   | Kaman                          | 4,57   | 4.97     | 6,136         | 3.1             | SP            | 104.20 | 5,000      | 97           | 75.0                 | 19.1            |
| 01/29/87 * | Masco Industries               | 3,47   | 3.47     | 6,181         | 2.9             | SP            | 104.20 | 5,000      | 97           | 70.0                 | 19.4            |
| 01/28/87 * | Prime Computer                 | 3,37   | 3.37     | 5,836         | 2.0             | SP            | 104.60 | 5,000      | 97           | 75.0                 | 19.0            |
| 01/27/87   | Varco International            | -      | -        | 10,696        | 5.0             | SP            | 105.00 | 7,500      | 97           | 75.0                 | 15.9            |
| 01/27/87   | Moore McCormack Resources      | 3,78   | 4.17     | 7,514         | 2.0             | NC            | 105.80 | 5,000      | 97           | 75.0                 | 19.0            |
| 01/27/87   | Computer Associates Internat'l | 3,52   | 3.92     | 5,985         | 2.0             | NC            | -      | -          | -            | -                    | -               |
| 01/23/87   | E'town                         | 8,40   | 16.00    | 7,139         | 1.0             | NC            | 105.00 | None       | -            | -                    | -               |
| 01/22/87   | Northwest Natural Gas          | 8,03   | 16.09    | 7,297         | 1.1             | NC            | 106.00 | None       | -            | -                    | -               |
| 01/21/87   | Patrick Petroleum              | -      | -        | 9,326         | 2.0             | NC            | -      | -          | -            | -                    | -               |
| 01/21/87   | Cornerstone Financial          | 2,38   | 2.38     | 7,449         | 4.0             | NC            | -      | -          | -            | -                    | -               |

\* Smith Barney lead managed

**HEA 413-1672**  
 Subj. to Rule 6(e)  
 Confidentiality

61

HEA 413-1673  
Subj. to Rule 6(e)  
Confidentiality